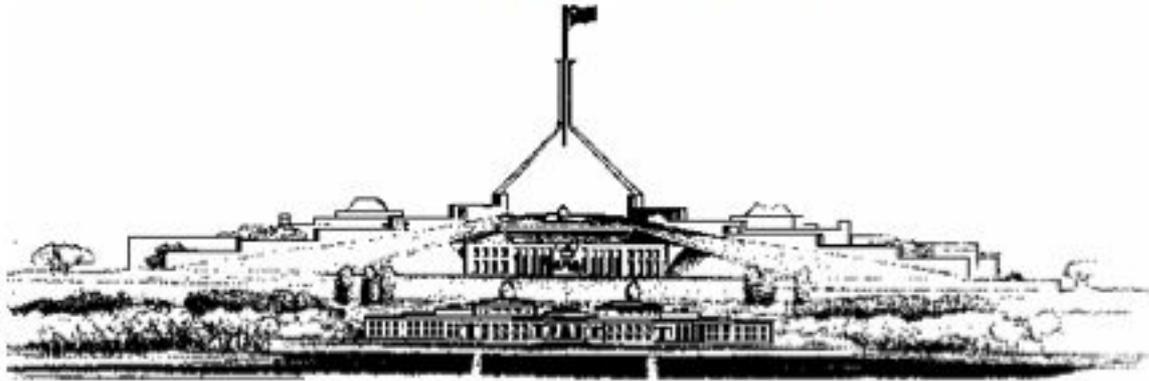




COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

PROOF

BILLS

Clean Energy Bill 2011, Clean Energy (Charges—Customs) Bill 2011, Clean Energy (Charges—Excise) Bill 2011, Clean Energy (Consequential Amendments) Bill 2011, Clean Energy (Customs Tariff Amendment) Bill 2011, Clean Energy (Excise Tariff Legislation Amendment) Bill 2011, Clean Energy (Fuel Tax Legislation Amendment) Bill 2011, Clean Energy (Household Assistance Amendments) Bill 2011, Clean Energy (Income Tax Rates Amendments) Bill 2011, Clean Energy (International Unit Surrender Charge) Bill 2011, Clean Energy (Tax Laws

Amendments) Bill 2011, Clean Energy (Unit Issue Charge—Auctions) Bill 2011, Clean Energy (Unit Issue Charge—Fixed Charge) Bill 2011, Clean Energy (Unit Shortfall Charge—General) Bill 2011, Clean Energy Regulator Bill 2011, Climate Change Authority Bill 2011, Ozone Protection and Synthetic Greenhouse Gas (Import Levy) Amendment Bill 2011, Ozone Protection and Synthetic Greenhouse Gas (Manufacture Levy) Amendment Bill 2011

Second Reading

SPEECH

Thursday, 3 November 2011

BY AUTHORITY OF THE SENATE

SPEECH

<p>Date Thursday, 3 November 2011 Page 41 Questioner Speaker Senator McKENZIE</p>	<p>Source Senate Proof Yes Responder Question No.</p>
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Senator McKENZIE (Victoria) (12:52): I stand here today as a National representing regional Australia, accepting the science and accepting the process of scientific research and argument which has led to the competitive debate being seen right throughout our community over this issue. What I do not accept is this government's ineffective response to the issue of climate change. I do not accept that regional Australia has to bear the brunt of the impacts of this folly of a policy. I do not accept that this policy will see the temperature drop or climate change halt. I do not accept that this response will result in the behavioural change required to make a significant impact on the human production of carbon and I do not accept that unilateral action by a nation state the size of Australia is going to address the issue in any meaningful way.

While I do not agree with the government on many things, I do agree with this statement from their website on climate change action, 'Climate change is a global problem that requires a global solution.' The Prime Minister knew this when, as Deputy Prime Minister, she convinced the then Prime Minister, Mr Rudd, to drop the ETS. She knew this when she went to the election and told the Australian people there would be no carbon tax under any government that she led. But to hold her job as Prime Minister she needs the vote of the sole Greens member in the House of Representatives and the legislation before us is the price the ALP has had to pay to maintain the facade of power over this minority government. That is the only reason we are debating the Clean Energy Bill 2011 and related bills this week.

I believe that we should always be good stewards of our environment. As somebody who has studied science, I believe science should keep poking and prodding at the climate change question because the science is never settled. Those who say it is do not understand the nature of scientific investigation and the real Luddites in this debate are those who try to close down competing views and the opinions of others, including those who will suffer most under this new tax. They are the modern version of the flat earth society.

They are trying to brainwash us into the belief that the world is rushing to impose a Gillard type carbon tax on their national economies. Such people obviously

do not follow world events very closely. The major economies, including the United States, are walking away from the Kyoto protocol and since the CHOGM conference we know that the government of Canada will not even contemplate imposing a carbon tax on its citizens. This is particularly interesting because Canada is our closest cousin in the Commonwealth in its history, cultural practices, major industries, economic growth and population. But the similarities stop on the question of dealing with climate change. At least Canadians got to have a vote on a carbon tax. That is the vote that was denied to the Australian people. There was only one successful candidate for the lower house at the last federal election that campaigned on a policy of introducing a carbon tax—that is, the Greens member for Melbourne, Adam Bandt. Only one member of Canada's lower house went to their election advocating a policy of carbon taxes and an emissions trading scheme. She is also a Green. Unlike in this aberration of a parliament, one Canadian Green does not get to impose their will on an entire nation.

As we look around at China and India, in fact the entire globe, Ms Gillard and the Greens have brought us to a very lonely place in the international response to climate change. As usual the devil is in the detail. The lack of consultation, the lack of detail given prior to the moving of the bills through the lower house, the secretive list of 500 top polluters and the failure to release the modelling with the appropriate assumptions outlined shows that the 17 bills rushed before us have been drafted in haste. The Joint Select Committee on Australia's Clean Energy Future, where the bills were referred to for scrutiny, was similarly rushed. As a result, I must confess that, while I am doing my best as a new senator to read the legislation before the Senate today—as you can see there are about two feet of it here on my desk along with associated explanatory material—I confess I have not been able to get through it all. I will do my best in the time allotted by the government for the scrutiny of this legislation. An indication of the haste with which this has been brought in is that we are shutting down appropriate scrutiny as of this morning. That is an indication of the contempt in which this government and, to be more correct, their coalition partners the Greens hold the Australian public and indeed this parliament in their rush to implement an economy-wide carbon tax for no effective reduction of emissions.

Whilst accepting that climate change and the impact of human carbon production has a role to play in the equation, I look forward to a positive and sustainable future where our environment flourishes alongside our economy and communities, something this badly designed tax will not achieve. Earlier this year, Chief Commissioner of the Climate Commission, Tim Flannery, said:

If the world as a whole cut all emissions tomorrow, the average temperature of the planet's not going to drop for several hundred years, perhaps over 1,000 years.

That is with the whole world cutting all emissions today, not a small nation state cutting five per cent of their emissions as of 2000 over six years. This would suggest that there will be a period of time in our future as a globe when we will have to manage the outcomes of climate change and adapt our behaviour accordingly, but I really want to focus on the length of time Mr Flannery suggested. Let us pause for a moment and consider the technological advances that human beings have made over the past thousand years. In 1011 we did not have cars. In 1011 we did not have the electricity that we are so keen to tax today. In 1011 we could not split the atom; in fact, we did not even know there was such a thing as an atom. In 1011 the earth was not only thought to be flat but we did not realise that we could sail a ship further from shore than the eye can see, let alone build a rocket, travel to the stars and walk on another planet. Imagine what will be possible in a thousand year's time in 3011. I have great confidence in our intelligence as a species despite this badly designed legislation before us today.

There are several reasons why I believe this response by the government is a negative response to address environmental concerns. These reasons range from its ineffectiveness in addressing the issue itself to the discriminatory manner of its application. As Senator Fifield said last night, my home state of Victoria will be heavily hit. Our major export off the port each day in Melbourne is dairy produce, which goes right around the world, and our state is powered by the 500 years of brown coal deposits in the Latrobe Valley, a region in Gippsland 45 kilometres down the road from where I live. Both industries are significant employers in our state's economy and both, whether intended or not, are targeted in this legislation. Government claims of support given to the agricultural industry under these bills, as the carbon tax will not apply to agriculture, give a false impression of the government having an understanding of regional Australia and its needs. The reality is that the insidious nature of this tax means that electricity, on-farm and transport costs will all rise, affecting productivity and job security and increasing cost-of-living pressures, particularly for those living and working in rural Victoria. I will mention a few of

those today. The Goulburn Valley in central Victoria is home to significant horticultural production, and we had debate on the importation of New Zealand apples and the impact that would have on the Goulburn Valley only a couple of months ago. Along with horticultural production, the Goulburn Valley is home to the highly intensive food-processing industry, which uses a lot of electricity. Specifically, apple producers need to have regular baseload power to ensure all the apples and pears are cool-stored before transport and delivery to consumers.

The dairy industry in Australia is also electricity intensive and trade exposed. The imposition of this tax on that industry, which employs over 40,000 Australians and is the largest exporter off our docks in Melbourne every day, is significant. In Victoria, the dairy industry estimates that the average dairy farming family will be hit by an additional \$5,000 to \$7,000 per annum on their electricity costs. The imposition of this carbon tax will cripple the dairy industry through the whole production chain, from the cow on the farm through to the bottle of milk in the fridge. Consider the impact on dairy of China's announcement of its goal of increasing the level of protein consumption for each child from 56 grams per child per day to over 500 grams per child per day. This represents a ninefold increase in protein consumption for a very large number of children. There are only two ways to increase protein consumption: through red meat or dairy products. The Australian dairy industry is uniquely placed to capitalise on this growth of protein consumption in the Chinese economy, but the imposition of this carbon tax will place the industry at a severe competitive disadvantage.

The addition of a tax on transport in 2014 is, I believe, just a tax on our everyday way of life in regional Australia. It is how we get our produce out to the docks and into the markets. It is how we socialise and travel to our sporting events. It is nothing for families of young children to have to drive upwards of 100 clicks one way just to get to their under-13 football and netball matches. That is going to be taxed—so it is not just about our economy. The Australian Trucking Association says the sector and its customers are predominantly regional Australians, and it will take a hit of \$510 million in the 2014-15 financial year alone. Regional Victorians and Australians spend more on energy and transport than those who live in capital cities, and while agriculture is out for now and transport, so vital to our way of life and crucial to the viability of our local industries, has a temporary reprieve, the increased on-costs are definitely an issue for those of us who live outside capital cities.

For regional Victoria specifically, the impact on jobs will likely be felt far and wide. In Shepparton, in the

north-east of Victoria, the modelling suggests that there will be 320 fewer jobs in an area where food processors are already under pressure from international factors. In Mildura there will be 220 fewer jobs by 2020. If these tax bills pass this chamber, at least 24,000 fewer jobs will be created across Victoria than if the economy were not so constrained. Victoria's total output will be cut by \$2.8 billion in 2015 alone, according to a report by Deloitte. On a microeconomic scale, this translates to 600 fewer jobs being created in regional communities like the Latrobe Valley—about which we have heard a lot over the last couple of days, thanks to Senator Madigan—and \$70 million in output stripped from the local economy in 2015.

I make particular reference to an issue facing the power generators in the Latrobe Valley, and that is the lack of deferred settlement arrangements for permit purchases contained in the legislation here beside me. This is yet another reason that this is simply a badly designed tax, as it will have a wide-ranging impact on individual generators and the power sector as a whole. The Latrobe Valley is a regional community which already underwent restructure during the 1990s, and 20 per cent of the community is directly employed by the power generation business. Victoria does not have electricity generation sources to match the baseload supply that we get out of the Latrobe Valley, and it uses carbon intensive brown coal. The annual emissions of Loy Yang Power, just one of the generators in the valley, are approximately 19.5 million tonnes. Based on the \$23 a tonne starting price, this will result in an additional \$450 million in costs in the first year of the scheme. Under the previous CPRS, devised by the then Prime Minister, Kevin Rudd, generating companies had the sensible option of a deferred settlement facility which was available when permits were auctioned. Under the current regime, no such deferral option is available, and I encourage the government to consider it at the amendment stage. As such, it is effectively a matter of paying the money in advance for the power generators. We will eventually get the money back, but the working capital requirements power generators will have to cope with are significant.

In fact, the competitive advantage of the Latrobe Valley is in brown coal. Any rational government would invest heavily in research and development to find new, cleaner ways to use this coal, which will be key in assuring this region a positive future. This government had the chance to contribute to the development and diversification of the valley's economy through the Regional Development Australia Fund, but even though we knew this was all coming not one grant was forthcoming for the projects put forward to diversify the local economy in the Latrobe Valley.

Given the \$100 million available for the forestry restructure, significant questions remain around the sufficiency of the \$200 million available in regional structural adjustment assistance for those regions severely affected by the carbon tax. That \$200 million is—wait for it—available for all regions across the nation over a seven-year period. I argue that the government has once again severely underestimated the economic and social impact of this legislation on regions like the Latrobe Valley, the Hunter, the Goulburn Valley, the dairy regions and so on. The \$200 million in that package will be simply a tokenistic effort to stimulate local growth and diversify those economies. This government's lack of understanding of the impact of this tax on regional Australia is very much on display in how it has treated the Latrobe Valley.

Finally, this is a poor policy solution because it is not part of a global response. Australia has a proud history of going it alone and making it count—for instance, the unintended consequence of going it alone in 1902 on the suffrage of women was not the disruption of our economy, the disadvantaging of our trade or discrimination against the regions—yet in this vacuous response to dealing with climate change we will be hanging out on a limb, adding costs to the production of every good and service in Australia. And we will be alone. We will be on that path alone.

This will not change the climate. Our action here will not decrease the temperature if Canada, the US, Europe, India and China do not get on board in the same way, and given the current global economic outlook it is unlikely they will. One of the many fabrications peddled by Labor spokesmen and spokeswomen during the course of this debate is that many nations are moving to tax carbon and we are being responsible in keeping up with the worldwide trend. We have already heard what Canada thinks of carbon taxes, and I am sure that during the US presidential visit the media will ask President Obama what the United States is going to do about an effective response to climate change. I would put all the money in my back pocket on a bet that he will not be adopting legislation like this and restraining his economy, particularly at this time.

The Labor member for Bendigo, Mr Steve Gibbons, claimed in the local newspaper on 13 October, the day after the carbon tax package squeaked through the lower house, that Australia had become the 33rd country to put a price on carbon. Really! I look forward to the member for Bendigo, in his next missive to the *Bendigo Advertiser*, naming these 33 countries that have taxed carbon in the same way that the Gillard government wants to tax Australians—and I think some really great points were made this morning on the setting up of the market arrangements and our

participation with these other '33 countries'. It will be fascinating to watch! () (NaN.NaN pm)

Yes, various countries have played around the edges, and others have made pledges, usually with an eye to a generous international aid package, but it is unlikely that they are going to sign up to a Labor-like carbon tax. Despite producing one-tenth of the EU's emissions, Australia faces a tax take 14 times larger than that of the EU. Australia's scheme will raise more tax in its first seven months than the EU emissions trading scheme generated in its first 6½ years.

But most telling is the fact that this legislation neglects to provide support for small business in transition arrangements. This is a significant oversight but certainly not surprising for this government. Everyone else gets a slice of the action. Householders are treated to a generous assistance package to mitigate the increased electricity costs brought on by the tax. One wonders what incentive there will be for householders to change their behaviour and reduce their reliance on dirty electricity if they are getting so much financial assistance. I am not confident that there will actually be a change in lifestyle.

Regional industry such as agriculture has been omitted, transport industry has three years grace and there are compensation packages for power generators, yet small business, the powerhouse of our economy, a significant source of employment within our regional areas, has no support and is once again bearing the increased costs of compliance. How typical that whilst Minister Sherry is announcing tax relief for small business with one hand, Combet is taxing them with the other.

The Australian Bureau of Statistics defines a small business as one that employs fewer than 20 people. Around 30 per cent of Australia's economic activity is generated by small businesses. In my home state, over 1.2 million people are employed in small business. This is an economy-wide tax, so unless you live in a teepee in Nimbin you will be subjected to it. There is no incentive, as I said earlier, for us to change our behaviour. In fact, as stated earlier, the modelling shows we will actually increase our emissions rather than reduce them.

For no environmental gain, because we are going it alone at a time when the countries of the world are focused on keeping their economies strong rather than slowing productivity—

The ACTING DEPUTY PRESIDENT (Senator Crossin): Senator McKenzie, your time has expired. I did not mean to cut you off mid-sentence, so my apologies.